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**DeNUCCI SAYS EARLY CHILDHOOD AGENCY  
SHOULD IMPROVE OVERSIGHT OF ELIGIBILITY**

State Auditor Joe DeNucci reported today that the Department of Early Education and Care (EEC), which administered nearly \$460 million in state and federal funds to child care providers last year, needs to improve its monitoring of state aid and federal grants to make sure that only eligible families are receiving assistance.

DeNucci's audit found that EEC suspended on-site monitoring visits to contracted providers during fiscal year 2007, saying that staff reductions resulted in the agency conducting only desk reviews. According to DeNucci, on-site visits have been the most effective way of identifying questionable costs in the past.

The effectiveness of on-site monitoring was evident when DeNucci reviewed 387 EEC files from on-site visits. EEC found that 168 (or 43 percent) contained insufficient documentation to support client eligibility. One provider lacked the documentation necessary for determining client eligibility in all 28 files that were reviewed. Also, 62 of 87 Department of Social Services' supportive care clients' files (71 percent) were deficient. These visits triggered a process in which providers had to either provide documentation to prove these clients were eligible, or repay the questionable costs to EEC. The department was able to recover significant amounts of ineligible costs from providers.

"Without on-site visits to providers, it is highly unlikely that inappropriate costs will be identified and refunded to the state and federal governments," DeNucci said.

DeNucci's review of 18 of the 31 on-site visits performed during fiscal year 2007 found that at five providers, EEC had not adequately followed up on its findings. Without sufficient follow-up, the department has no way of knowing whether the provider took corrective action, whether ineligible costs still exist and whether reimbursement is due.

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EEC, in response to the audit, stated that it has filled a vacant Director of Audit Resolution position and that it is hiring additional contract monitoring coordinators. The department will develop a comprehensive set of internal controls for the approximately 300 social service providers who receive state and federal funds to ensure that the monitoring and reporting requirements are met and that the money is used only for authorized purposes and in compliance with relevant laws and regulations.

In addition, DeNucci recommended that EEC develop and maintain a detailed accounts receivable reporting system to track repayment amounts owed by providers. Contrary to the State Comptroller's requirements, the agency does not use the Commonwealth's centralized Billing and Accounts Receivable System (BARS).

Finally, DeNucci's audit noted that EEC has not solicited competitive re-bids for four existing child care service contracts with an estimated annual value of \$277 million. The Auditor urged EEC to immediately establish a procurement management team to ensure that it is able to provide quality child care services in the most economical and efficient manner possible and in compliance with state procurement requirements.

"I am encouraged by the initial response of the Department of Early Education and Care to my audit findings, and I urge the department to continue to improve oversight of its providers," said DeNucci. "In this time of limited resources, we must make sure that these critical services for children go only to families that truly need assistance."